Exhibit H

Form 10-K

Macy's, Inc. - M

Filed: April 13, 2006 (period: January 28, 2006)

Annual report which provides a comprehensive overview of the company for the past year

Table of Contents

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended January 28, 2006 — **Commission File Number: 1-13536**

Federated Department Stores, Inc.

7 West Seventh Street
Cincinnati, Ohio 45202
(513) 579-7000
and
151 West 34th Street
New York, New York 10001
(212) 494-1602

Incorporated in Delaware — **I.R.S. No. 13-3324058**

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $.01 per share	New York Stock Exchange
7.45% Senior Debentures due 2017	New York Stock Exchange
6.79% Senior Debentures due 2027	New York Stock Exchange
7% Senior Debentures due 2028	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☑

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant, computed by reference to the closing price as reported on the New York Stock Exchange as of the last business day of the registrant's most recently completed second fiscal quarter (July 29, 2005) was $13,032,161,000.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 31, 2006
Common Stock, $0.01 par value per share	275,265,327 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Proxy Statement for the Annual Meeting of Stockholders to be held May 19, 2006 (Proxy Statement)	Part III

Explanatory Note

On August 30, 2005, pursuant to the Agreement and Plan of Merger (the "Merger Agreement"), dated as of February 27, 2005, by and among Federated Department Stores, Inc. ("Federated"), The May Department Stores Company, a Delaware corporation ("May"), and Milan Acquisition LLC (formerly known as Milan Acquisition Corp.), a wholly owned subsidiary of the Company ("Merger Sub"), May merged with and into Merger Sub (the "Merger"). As a result of the Merger, May's separate corporate existence terminated. Upon the completion of the Merger, Merger Sub was merged with and into the Company, and Merger Sub's separate corporate existence terminated.

Unless the context requires otherwise (i) references herein to the "Company" are, for all periods prior to August 30, 2005 (the "Merger Date"), references to Federated and its subsidiaries and their respective predecessors, and for all periods following the Merger Date, references to the surviving corporation in the Merger and its subsidiaries, and (ii) references to "2005," "2004," "2003," "2002" and "2001" are references to the Company's fiscal years ended January 28, 2006, January 29, 2005, January 31, 2004, February 1, 2003 and February 2, 2002, respectively.

Forward-Looking Statements

This report and other reports, statements and information previously or subsequently filed by the Company with the Securities and Exchange Commission (the "SEC") contain or may contain forward-looking statements. Such statements are based upon the beliefs and assumptions of, and on information available to, the management of the Company at the time such statements are made. The following are or may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995: (i) statements preceded by, followed by or that include the words "may," "will," "could," "should," "believe," "expect," "future," "potential," "anticipate," "intend," "plan," "think," "estimate" or "continue" or the negative or other variations thereof, and (ii) statements regarding matters that are not historical facts. Such forward-looking statements are subject to various risks and uncertainties, including:

- *risks and uncertainties relating to the possible invalidity of the underlying beliefs and assumptions;*
- *possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions;*
- *actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, competitors and legislative, regulatory, judicial and other governmental authorities and officials; and*
- *attacks or threats of attacks by terrorists or war.*

Without limiting the generality of the foregoing, forward-looking statements regarding the effects of the acquisition of May are subject to risks and uncertainties relating to, among other things, the successful and timely integration of the acquired businesses with the Company's historical businesses, timely realization of expected cost savings and other synergies, and potential disruption from the transaction which could make it more difficult to maintain relationships with the companies' respective employees, customers and vendors.

No forward-looking statements should be relied upon as continuing to reflect the expectations of management or the current status of any matter referred to therein as of any date subsequent to the date on which such statements are made. Furthermore, future results of the operations of the Company could

differ materially from historical results or current expectations because of a variety of factors that affect the Company, including:

- *the acquisition of May;*
- *transaction costs associated with the renovation, conversion and transitioning of retail stores in regional markets;*
- *the outcome and timing of sales and leasing in conjunction with the disposition of retail store properties in regional markets;*
- *the outcome and timing of sales and leasing in conjunction with the disposition of retail store properties;*
- *the retention, reintegration and transitioning of displaced employees;*
- *the sale of the Company's credit card operations and related strategic alliance;*
- *competitive pressures from department and specialty stores, general merchandise stores, manufacturers' outlets, off-price and discount stores, and all other retail channels, including the Internet, mail-order catalogs and television; and*
- *general consumer-spending levels, including the impact of the availability and level of consumer debt, levels of consumer confidence and the effects of the weather.*

In addition to any risks and uncertainties specifically identified in the text surrounding such forward-looking statements, the foregoing statements and the statements under captions such as "Risk Factors" and "Special Considerations" in reports, statements and information filed by the Company with the SEC from time to time constitute cautionary statements identifying important factors that could cause actual amounts, results, events and circumstances to differ materially from those reflected in such forward-looking statements.

Item 1. Business.

General. The Company is a Delaware corporation. The Company and its predecessors have been operating department stores since 1820.

Upon the completion of the Merger, the Company acquired May's approximately 500 department stores and approximately 700 bridal and formalwear stores. All locations retained by the Company will be converted to the Macy's or Bloomingdale's nameplate in 2006 or 2007. In connection with the Merger, the Company announced its intention to divest approximately 80 stores. As of March 31, 2006, the Company had entered into agreements for the sale of 24 of these stores.

In September 2005, the Company announced its intention to divest May's Bridal Group division. The Bridal Group includes 245 David's Bridal, 454 After Hours Formalwear and 11 Priscilla of Boston stores in 47 states and Puerto Rico. On January 12, 2006, the Company announced its intention to divest May's Lord & Taylor department store division. The Lord & Taylor division currently includes 55 department stores, including six stores scheduled to be closed, of which one will be reopened as a Macy's.

As of January 28, 2006, the continuing operations of the Company, through its divisions, operated 868 retail stores located in 45 states, the District of Columbia, Puerto Rico and Guam. During fiscal 2005, the stores were operated under the names "Macy's" and "Bloomingdale's," and the following May nameplates:

Terry J. Lundgren has been Chairman of the Board since January 2004 and President and Chief Executive Officer of the Company since February 2003; prior thereto he served as the President/ Chief Operating Officer and Chief Merchandising Officer of the Company from April 2002 to February 2003. Mr. Lundgren served as the President and Chief Merchandising Officer of the Company from May 1997 to April 2002.

Thomas G. Cody has been Vice Chair, Legal, Human Resources, Internal Audit and External Affairs of the Company since February 2003; prior thereto he served as the Executive Vice President, Legal and Human Resources, of the Company from May 1988 to February 2003.

Thomas L. Cole has been Vice Chair, Support Operations of the Company since February 2003 and Chairman of FLO since 1995, FSG since 2001 and FACS since 2002.

Janet E. Grove has been Vice Chair, Merchandising, Private Brand and Product Development of the Company since February 2003 and Chairman of MMG since 1998 and Chief Executive Officer of MMG since 1999.

Susan D. Kronick has been Vice Chair, Department Store Divisions of the Company since February 2003; prior thereto she served as Group President, Regional Department Stores of the Company from April 2001 to February 2003; and prior thereto as Chairman and Chief Executive Officer of Burdines, Inc. from June 1997 to February 2003.

Ronald W. Tysoe has been Vice Chair of the Company since April 1990 and was a Director of the Company from April 1988 to July 2005.

Karen M. Hoguet has been Executive Vice President of the Company since June 2005 and Chief Financial Officer of the Company since October 1997.

Dennis J. Broderick has been Secretary of the Company since July 1993 and Senior Vice President and General Counsel of the Company since January 1990.

Joel A. Belsky has been Vice President and Controller of the Company since October 1996.

Item 1A. Risk Factors.

In evaluating the Company, the risks described below and the matters described in “Forward-Looking Statements” should be considered carefully. Such risks and matters could significantly and adversely affect the Company’s business, prospects, financial condition, results of operations and cash flows.

The Company faces significant competition in the retail industry.

The Company conducts its retail merchandising business under highly competitive conditions. Although the Company is one of the nation’s largest retailers, it has numerous and varied competitors at the national and local levels, including conventional and specialty department stores, other specialty stores, mass merchants, value retailers, discounters, and Internet and mail-order retailers. Competition is characterized by many factors, including assortment, advertising, price, quality, service, location, reputation and credit availability. If the Company does not compete effectively with regard to these factors, its results of operations could be materially and adversely affected.

The Company's sales and operating results depend on consumer preferences and consumer spending.

The fashion and retail industries are subject to sudden shifts in consumer trends and consumer spending. The Company's sales and operating results depend in part on its ability to predict or respond to changes in fashion trends and consumer preferences in a timely manner. The Company develops new retail concepts and continuously adjusts its industry position in certain major and private-label brands and product categories in an effort to satisfy customers. Any sustained failure to identify and respond to emerging trends in lifestyle and consumer preferences could have a material adverse affect on the Company's business. Consumer spending may be affected by many factors outside of the Company's control, including competition from store-based retailers, mail-order and Internet companies, consumer confidence and preferences, consumers' disposable income, weather that affects consumer traffic and general economic conditions.

The Company's business could be affected by extreme weather conditions or natural disasters.

Extreme weather conditions in the areas in which the Company's stores are located could adversely affect the Company's business. For example, frequent or unusually heavy snowfall, ice storms, rain storms or other extreme weather conditions over a prolonged period could make it difficult for the Company's customers to travel to its stores and thereby reduce the Company's sales and profitability. In addition, natural disasters such as hurricanes, tornadoes and earthquakes could severely damage or destroy one or more of the Company's stores or warehouses located in the affected areas, thereby disrupting the Company's business operations.

The Company's business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of the Company's inventory incompatible with those unseasonable conditions. Reduced sales from extreme or prolonged unseasonable weather conditions could adversely affect the Company's business.

The Company's revenues and cash requirements are affected by the seasonal nature of its business.

The Company's business is seasonal, with a high proportion of revenues and operating cash flows generated during the second half of the fiscal year, which includes the fall and holiday selling seasons. The Company has in the past experienced significant fluctuations in its revenues from quarter to quarter with a disproportionate amount of revenues falling in the fourth fiscal quarter, which coincides with the holiday season. In addition, the Company incurs significant additional expenses in the period leading up to the months of November and December in anticipation of higher sales volume in those periods, including for additional inventory, advertising and employees.

The Company's business is subject to unfavorable economic and political conditions and other developments and risks.

Unfavorable global, domestic or regional economic or political conditions and other developments and risks could negatively affect the Company's business. For example, unfavorable changes related to interest rates, rates of economic growth, fiscal and monetary policies of governments, inflation, deflation, consumer credit availability, consumer debt levels, tax rates and policy, unemployment trends, oil prices and other matters that influence the availability and cost of merchandise, consumer confidence, spending and tourism could adversely impact the Company's growth. In addition, unstable political conditions or civil unrest, including terrorist activities and worldwide military and domestic disturbances and conflicts, could have a material adverse effect on the Company's business and results of operations.

The benefits expected to be realized from the May acquisition are subject to various risks, and the Company's failure to integrate May successfully or on a timely basis into the Company's operations could reduce the Company's profitability.

The Company's acquisition of May during the third quarter of 2005 was a significant acquisition for the Company. The Company's success in fully realizing the anticipated benefits from the acquisition will depend in large part on achieving anticipated synergies, business opportunities and growth prospects. There can be no assurance that these synergies, business opportunities and growth prospects will materialize, and the Company's ability to benefit from the May acquisition is subject to both the risks affecting the Company's business generally and the difficulties associated with integrating large business organizations. In addition, there can be no assurance that the Company's execution of its post-merger strategy to rebrand May stores will improve its operating performance. The failure of the Company to realize the benefits expected to result from the May acquisition could have a material adverse effect on the Company's business and results of operations.

The Company's growth may strain operations, which could adversely affect the Company's business and financial performance.

With the acquisition of May, the Company's business has grown dramatically. Accordingly, sales, number of stores and number of associates have grown and likely will continue to grow. This growth places significant demands on management and operational systems. If the Company is unable to effectively manage its growth, operational inefficiencies could occur and, as a result, the Company's business and results of operations could be materially and adversely affected.

The Company depends upon the success of its advertising and marketing programs.

The Company's advertising and promotional costs, net of cooperative advertising allowances, amounted to $1,076 million for 2005. The Company's business depends on high customer traffic in its stores and effective marketing. The Company has many initiatives in this area, and often changes its advertising and marketing programs. There can be no assurance as to the Company's continued ability to effectively execute its advertising and marketing programs, and any failure to do so could have a material adverse effect on the Company's business and results of operations.

A material disruption in the Company's computer systems could adversely affect the Company's business or results of operations.

The Company relies extensively on its computer systems to process transactions, summarize results and manage its business. The Company's computer systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, catastrophic events such as fires, tornadoes and hurricanes, and usage errors by the Company's employees. If the Company's computer systems are damaged or cease to function properly, the Company may have to make a significant investment to fix or replace them, and the Company may suffer interruptions in its operations in the interim. Any material interruption in the Company's computer systems could adversely affect its business or results of operations.

If the Company is unable to attract and retain quality associates, its business could be adversely affected.

The Company's business is dependent upon attracting and retaining a large and growing number of quality associates. Many of these associates are in entry level or part time positions with historically high rates of turnover. The Company's ability to meet its labor needs while controlling its costs is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation and changing demographics. Changes that adversely impact the Company's ability to attract and retain quality associates could adversely affect the Company's business.

The Company is subject to numerous regulations that could adversely affect its business.

The Company is subject to customs, truth-in-advertising and other laws, including consumer protection regulations and zoning and occupancy ordinances that regulate retailers generally and/or govern the importation, promotion and sale of merchandise and the operation of retail stores and warehouse facilities. Although the Company undertakes to monitor changes in these laws, if these laws change without the Company's knowledge, or are violated by importers, designers, manufacturers or distributors, the Company could experience delays in shipments and receipt of goods or be subject to fines or other penalties under the controlling regulations, any of which could adversely affect the Company's business.

Litigation or regulatory developments could adversely affect the Company's business or financial condition.

The Company is subject to various federal, state and local laws, rules and regulations, which may change from time to time. In addition, the Company is regularly involved in various litigation matters that arise in the ordinary course of its business. Litigation or regulatory developments could adversely affect the Company's business and financial condition.

Factors beyond the Company's control could affect the Company's stock price.

The Company's stock price, like that of other retail companies, is subject to significant volatility because of many factors, including factors beyond the control of the Company. These factors include:

- general economic and stock market conditions;
- risks relating to the Company's business and its industry, including those discussed above;
- strategic actions by the Company or its competitors;
- variations in the Company's quarterly results of operations;
- future sales of the Company's common stock; and
- investor perceptions of the investment opportunity associated with the Company's common stock relative to other investment alternatives.

In addition, the Company may fail to meet the expectations of its stockholders or of analysts at some time in the future. If the analysts that regularly follow the Company's stock lower their rating or lower their projections for future growth and financial performance, the Company's stock price could decline. Also, sales of a substantial number of shares of the Company's common stock in the public market or the appearance that these shares are available for sale could adversely affect the market price for Company common stock.